

Message Text

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ACTION AGR-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 /064 W

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R 310833Z JAN 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 5135

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

UNCLAS THE HAGUE 0501

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, EPAP, NL

SUBJ: CORN IMPORTS

ERF: A: FASTO CIRC 42 B: FASTO CIRC 44

1. SUMMARY: HEAVY SHIPMENTS OF U.S. CORN TO NETHERLANDS EXPECTED TO CONTINUE THROUGH FEBRUARY BUT SHOULD TAPER OFF.

2. PRELIMINARY PRODUCT BOARD FIGURES PUT DUTCH CORN IMPORTS FROM 8/1-11/30/74 AT 1,498,000 M.T. OF WHICH 1,322,000 FROM NON-EC COUNTRIES. COMPARABLE 1973 FIGURES WERE 1,519,300 AND 1,307,900. SUBTRACTING RE-EXPORTS GIVES 930,200 AND 939,000 FOR DOMESTIC CONSUMPTION. FIGURES SHOW TOTAL IMPORTS AND CONSUMPTION BOTH SLIGHTLY DOWN BUT NON-EC IMPORTS (MOSTLY FROM UNITED STATES) UP.

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3. LAST JUNE AND JULY WHEN U.S. CORN PRICE ATTRACTIVELY LOW, DUTCH

FEED COMPOUNDERS BOUTH HAND TO MOUTH I ANTICIPATION OF LOWER PRICES. BUYING WAS FEVERISH AFTER WEATHER REPORTS TURNED PRICES UP WITH AUGUST AND SEPTEMBER EMPHASIS ON FORWARD POSITIONS. MEANWHILE COMPOUNDERS USED RELATIVELY CHEAP SORGHUMS AND FEED WHEAT. THERE WERE OTHER FLURRIES OF BUYING IN LATE OCTOBER THROUGH NOVEMBER WHEN WEAKENING U.S. ORIGIN PRICES COMBINED WITH FALLING FREIGHT AND DOLLAR EXCHANGE RATES. CONTINUED PRICE DROPS GAVE PAUSE DURING GREATER PART OF DECEMBER.

4. WHEN CORN PRICES THREATENED TO DROP BELOW THRESHOLD LATE DECEMBER/EARLY JANUARY, BOTH TRADE AND INDUSTRY MADE HEAVY FORWARD FIXATIONS AT ZERO LEVY. SOME SHIPPERS HAD STARTED SHIPPING HEAVY VOLUMES IN DECEMBER IN ANTICIPATION OF HEAVY IMPORTS DURING JANUARY TO SECURE ZERO LEVY. WITH ZERO LEVY, FURTHER WEAKENING OF ORIGIN PRICES AND OF FREIGHT AND DOLLAR EXCHANGE RATES, U.S. COR ON BOARD FREE MARKET HAS FALLEN TO MORE THAN 10 U.S. DOLLARS/TON BELOW THRESHOLD AND IS BY FAR CHEAPEST GRAIN AVAILABLE, AT LEAST THROUGH MARCH/APRI) COMMENT: WE CONCLUDE THAT HEAVY SHIPMENTS OF U.S. CORN CAN BE EXPECTED THROUGH FEBRUARY AND THAT DUTCH COMPOUNDERS WILL CONTINUE TO MAXIMIZE COUN IN FEED FORMULAS AT LEAST THROUGH MARCH.

5. SITUATION AFTER MARCH RATHER UNSETTLED FOR FOLLOWING REASONS:

A. WHEN ZERO AND LOW-LEVY FORWARD FIXATIONS EXHAUSTED, NON-EC CORN PRICES SHOULD TEND TO LEVEL OFF AROUND 3-5 DOLLARS/TON BELOW INCREASED THRESHOLD (PROVIDED NO SPECTACULAR PRICE DECREASE ON WORLD MARKET).

B. OTHER FEED INGREDIENTS MAY BE MORE COMPETITIVE FROM APRIL ON.

C. EC RECENTLY ADVANCED DATE FOR LIQUIDATION INTERVENTION B WHEAT FROM END JANUARY TO APRIL 1. SOFT BLEU AND W. GERMAN WHEAT (SUITABLE ONLY FOR FEED) WILL NOT SELL FOR EXPORT AND CAN ONLY BE SOLD FOR FEED AT PRICE BELOW INTERVENTION LEVEL. IF EC NOT TO END SEASON WITH HUGE INTERVENTION STOCK, WE ASSUME IT WILL TAKE SOME ACTION.

6. WITH EYE ON FACTORS LISTED IN 5, ABOVE, COMPOUNDERS HAVE MADE ONLY LIGHT COMMITMENTS FOR APRIL ONWARDS POSITIONS. IMPORTERS UNCLASSIFIED

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HAE REPORTEDLY PURCHASED GOOD VOLUMES OF U.S. CORN THROUGH JUNE/JULY SHIPMENT BUT MAY DIVERT WHEN AND IF ABOVE FACTORS COME INTO PLAY. COMMENT: UNLESS THERE ARE SPECTACULAR DROPS IN U.S. CORN PRICES DURING MARCH THROUGH MAY, WE EXPECT SHIPMENT TO SLACKEN SUBSTANTIALLY AFTER APRIL AND PERHAPS STAY DOWN WELL INTO A NEW SEASON (THROUGH SEPTEMBER).

7. OUR LATEST ESTIMATE FOR DUTCH CORN IMPORTS FROM 10/74-9/75

(REF B): TOTAL 3,400,000 OF WHICH 2,600,000 U.S.;
750,000 EC; AND 50,000 OTHER. GOULD

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Margaret P. Grafeld
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